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ADMINISTRATIVE AND BUDGETARY MATTERS

United Nations International Drug Control Programme

Revised estimates for the biennium 1994-1995 and Proposed outline for the biennium 1996-1997

Report of the Advisory Committee on Administrative and Budgetary Questions**

1. Pursuant to the request contained in paragraph 3 of General Assembly resolution 46/185 C Part XVI, the Advisory Committee on Administrative and Budgetary Questions has considered the revised estimates of the administrative and programme support costs of the United Nations International Drug Control Programme for the biennium 1994-1995 and the proposed budget outline of administrative and programme support costs for the biennium 1996-1997 (E/CN.7/1995/17). The Committee also had before it a compendium of ongoing projects during the biennium 1994-1995 contained in document E/CN.7/1995/CRP.1. During its consideration of the documents, the Committee met with representatives of the Executive Director of the Programme, who provided additional information. The Committee intends to consider the detailed budget proposals of UNDCP for the biennium 1996-1997 later this year prior to consideration of the proposals by the Commission on Narcotic Drugs at its reconvened thirty-eighth session. The Committee's comments and observations in the following paragraphs are therefore preliminary.

2. While the Advisory Committee notes an improvement in the presentation of the documentation, reflecting in particular the efforts made to comply with previous recommendations of the Committee, the Committee believes that there are still deficiencies in the budgetary process of UNDCP, particularly in regard to financial planning. In the opinion of the Advisory Committee part of the problem can be attributed to the fact that the Programme is donor driven, the number of donors is still small, thus making the Programme more dependent on some Member States' financial and

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political changes, and that the level of contributions is negotiated individually with each potential donor. In the absence of a mechanism to better assess the level of future income it is somewhat difficult to predict the global level of forthcoming contributions and its relation to the expected level of project delivery. One of the consequences of the inadequate financial planning is reflected in the sharp reduction of available resources (26.2%) for the biennium 1996-1997.

3. As reported by the Executive Director in his report submitted to the Board of Auditors (A/49/5/Add.9) during the 1992-1993 biennium, the fund balance decreased from $100,310,343 at 31 December 1991 to $86,911,243 at 31 December 1993, a decrease of $13,399,100. As indicated in paragraph 11 of the document, the widening gap between income and expenditure will lead to a further rapid decline of the fund balance from $86,911,243 to $26,829,700 at the end of 1995, and based on current income projections, it is expected to be reduced to $771,400 at the end of the 1996-1997 biennium.

4. During 1992-1993 expenditure exceeded income by $2,859,939. As indicated in paragraph 9 of the document, income is expected to decline from $137,557,433 in 1992-1993 to $134,478,800 in 1994-1995 and to $122,035,200 in 1996-1997. On the other hand, expenditure is expected to increase from $140,417,372 in 1992-1993 to $190,641,600 in 1994-1995 with an expected decrease to $151,172,100 in 1996-1997, due the depletion of the fund balance as well as lower contributions. As indicated in paragraph 10 of the document, the decrease between 1994-1995 and 1996-1997 amounts to $39,469,500 in nominal terms and $50,000,000 or 26.2 percent in real terms. As stated in paragraph 5 of the document "a resource reduction of the size envisaged can only be accomplished by making severe cuts in a number of activities, and in some cases discontinuing activities identified by the Commission and interested governments as being priorities". In the opinion of the Advisory Committee, the utilization of the fund balance should have been done in a more gradual manner and the additional resources should have been applied to short-term projects, even more than already done, in particular in the global projects area in such a way as not to affect the normal operation of the Programme or alter the priorities established once the resources of the fund balance are exhausted.

5. As can be seen from Table 2 of the document, it is estimated that the operating deficit will be significantly higher during the biennium 1994-1995 as well as during the following biennium. Under the circumstances, the Advisory Committee agrees that "new pledges and commitments by donors will be required to provide the necessary means for maintaining the 1996-1997 level of activities during the coming bienniums." As indicated in paragraph 2 above, the possibility of introducing a long-term strategy for fund raising should also be explored.

6. The Advisory Committee draws attention to the proposed revised estimates for the biennium 1994-1995 as given in Table 4 of the budget document. It was confirmed to the Committee that this document was merely a recosted initial budget and not actual revised estimates. As stated in paragraph 39, the increase of $2,752,300 for recosting includes increases for posts at headquarters and field operations of $861,400 and an increase of $1,890,900 for other objects of expenditure. The amount of $1,890,900 includes an increase of $3,922,400 for changes in inflation, partly offset by a decrease of $2,031,500 resulting from movements in exchange rates.

7. The methodology used for recosting has been outlined in paragraphs 36 and 37 of the report; the Committee notes that in the opinion of the Executive Director "the recosting of the 1994-1995 budget of the Fund of UNDCP essentially follows the methodology used for the first performance report on the programme budget of the United Nations for the biennium 1994-1995 (A/C.5/49/43)". However, the Committee points out that in arriving at the revised estimates it does not appear that performance experience has been taken into consideration thus limiting the use of the document. In view of the financial situation, a less mechanical approach should have been used for arriving at the revised estimates and expenditure should have been examined more in terms of actual requirements and past performance.

8. Furthermore, the presentation of these revised requirements is being made at a time when there are still approximately nine months left until the end of the biennium and therefore, the Committee believes, there is sufficient time to curtail expenditure without affecting the level or quality of programme delivery. In any event, the Advisory Committee believes that several of the items in Table 4 are discretionary and as such, procurement of these could either be deferred or curtailed. The possibility of absorbing some of the costs should also be explored.

9. The Advisory Committee welcomes the presentation of the budget outline for the biennium 1996-1997. The formulation of the budget outline should take into account the particular financial characteristics of UNDCP, which are substantially different from those of the United Nations. The budget outline should be considered mainly as a tool for financial planning that allows Member States to know in advance what are the main indicators of income and expenditures for the next biennium.

10. In this regard, the budget outline should include a clear description of the assumptions and criteria for the expected income, as well as a broad explanation of the expected expenditures and its relation to the priorities established by the relevant intergovernmental bodies.

11. Unfortunately, the presentation of the outline for 1996-1997 does not include a proper analysis of estimates of income which the Committee believes is an important step in the budgetary process.

12. The Committee recalls its comments in the context of its examination of the proposed budget outline for the 1994-1995 biennium that UNDCP would "ensure that the outline is a concise document and will not be presented as if it were a detailed budget proposal. The outline should, inter alia, reflect current and projected income and expenditure and a broad allocation of resources in terms of priorities of the programme".

13. While being brief, information regarding the volume of projects to be funded within expected income should be included in the outline which should also indicate measures planned for the efficient programme delivery as well as for increased productivity. Some provision should have also been made in order to take into account possible delays or difficulties for the Programme to have all the 1994-1995 projects completed as scheduled.

14. In spite of the significant decrease of total resources expected for 1996-1997, the level of expenditure at Headquarters is proposed to remain constant in real terms. This situation would increase expenditures at Headquarters and might affect the level of project delivery.

15. The Advisory Committee is not convinced of the need to maintain a heavy administrative infrastructure at Headquarters while project delivery is reduced and trusts that the Executive Director would present detailed justification for the allocation of resources during the consideration of the budget for 1996-1997.

16. In the present outline, the Advisory Committee notes and welcomes the strategy as outlined in paragraph 56 for implementation of the Programme's objectives in the 1996-1997 biennium; however, there should have been a somewhat deeper comparative analysis between this strategy and the current one than is contained in paragraphs 63 - 68 of E/CN.7/1995/17.

17. The Advisory Committee notes from paragraph 60 of the report that "during the 1996-1997 biennium decentralization of operational concerns and delegation of authority to the field in programme design and management will receive greater emphasis." The resource implication of this decentralization should be clearly indicated in the budget estimates for 1996-1997 bearing in mind the high cost of headquarters staffing and services which consume a disproportionate amount of resources. The Advisory Committee trusts that this issue will also be discussed in detail in the budget document for the biennium 1996-1997 and include a clear indication of all headquarters expenses including project posts located at headquarters.

18. With regard to the number of project posts in the field, the Advisory Committee understands that these are included in the manning tables of executing agencies and therefore somewhat difficult to identify; however, the amount of expenditure related to these posts can be quantified and therefore reported in the budget document.

19. The Advisory Committee will revisit these and other issues, including the question of programme support costs and income, deployment of staff and resources between headquarters and the field, and strategies for increased productivity and decreased expenditure in the context of its examination of the proposed programme budget for UNDCP for the biennium 1996-1997.